



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

119343

B-203087

SEPTEMBER 1, 1982

The Honorable Howard S. Liebengood  
Sergeant at Arms  
United States Senate

Dear Mr. Liebengood:

Subject: Audit of the Senate Recording and Photographic  
Studios Revolving Fund for the Fiscal Year  
Ended March 31, 1982 (GAO/AFMD-82-99)

Pursuant to your February 25, 1982, request, we have examined the balance sheets of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1982 and 1981, and the related statements of operations and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1982 and 1981, and the results of the fund's operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Sincerely yours,

Acting Comptroller General  
of the United States

Enclosures



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SENATE RECORDING AND PHOTOGRAPHIC STUDIOS  
REPORT ON INTERNAL ACCOUNTING CONTROLS  
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Senate Recording and Photographic Studios Revolving Fund for the year ended March 31, 1982. Our opinion on them is in our report to the Sergeant at Arms. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As part of our examination, we made a study and evaluation of the Studios' system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Studios' financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

For the purpose of this report, we have classified, studied, and evaluated the following significant internal accounting controls:

- Receipts.
- Disbursements.
- Equipment.
- Supplies.

The management of the Senate Recording and Photographic Studios is responsible for establishing and maintaining a system of internal accounting control. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in condition or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, made for the limited purpose described in the second paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Senate Recording and Photographic Studios taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We also reviewed the provisions of applicable laws and regulations to determine the material compliance requirements that may have a financial impact on the Senate Recording and Photographic Studios financial statements. In our opinion the Senate Recording and Photographic Studios complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON OPERATIONS OF THE  
SENATE RECORDING AND PHOTOGRAPHIC STUDIOS  
REVOLVING FUND

The Senate Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The Studio, operated by the Sergeant at Arms and Doorkeeper of the Senate under the direction and control of the Senate Committee on Rules and Administration, films and tapes (video and audio) for the Vice President, Senators, and committees of the Senate. The charges for these services are set by the Committee on Rules and Administration.

The Senate Photographic Studio was established pursuant to section 108 of the Supplemental Appropriations and Rescission Act, 1980 (2 U.S.C. 123b-1). The Studio, operated by the Sergeant at Arms and Doorkeeper of the Senate subject to the approval of the majority and minority leaders, provides photographs and photographic services to members of the Senate and committees of the Senate. A fee schedule for these services has been approved by the majority and minority leaders.

The Studios' operations are financed from a revolving fund and from funds appropriated to the Secretary of the Senate. All moneys received from operations are deposited in the revolving fund and are available for the operation of the Studios. Employee salaries and benefits and certain other operating expenses, such as utilities, are paid from appropriated funds. These expenses are neither recorded in the Studios' accounting records nor included in determining the results of the Studios' operations.

For the year ended March 31, 1982, the revolving fund's net income was \$49,516 for the combined operation compared to a net loss of \$28,964 for the year ended March 31, 1981.

The 1982 net income consisted of a profit of \$89,273 from recording studio activities--\$85,096 more than the 1981 profit--and a loss of \$39,757 from photographic studio activities--\$6,616 more than the 1981 loss.

For the recording studio, profits from radio activities climbed 54 percent--from \$21,362 in 1981 to \$32,966 in 1982. The profit from video activities was \$56,307 in 1982 compared to a loss of \$17,185 in 1981, a turnaround of about \$73,500. The overall improvement resulted primarily from substantially higher sales. Also, maintenance and repair costs of video equipment were reduced significantly.

The loss from photographic studio activities in 1982 was greater than in 1981. However, because the studio was operational for only 6 months during 1981, the average monthly loss was

ENCLOSURE II

ENCLOSURE II

somewhat lower--\$3,313 in 1982 compared to \$5,523 in 1981. In view of the photographic studio's continuing losses, the schedule of charges for photographs and services apparently should be examined and possibly increased.

SENATE RECORDING AND PHOTOGRAPHIC STUDIOSREVOLVING FUNDCOMPARATIVE BALANCE SHEETMARCH 31, 1982 AND 1981A S S E T S

|   | <u>1982</u>        | <u>1981</u>        |
|---|--------------------|--------------------|
| CURRENT ASSETS:                                 |                    |                    |
| Cash (in U.S. Treasury) (note 1)                | \$ 598,133         | \$ 529,896         |
| Accounts receivable (note 2)                    | 71,067             | 54,780             |
| Inventory of materials and<br>supplies, at cost | <u>31,388</u>      | <u>32,490</u>      |
| Total current assets                            | <u>700,588</u>     | <u>617,166</u>     |
| FIXED ASSETS:                                   |                    |                    |
| Equipment (notes 3 and 4)                       | 1,469,870          | 1,377,119          |
| Less accumulated depreciation<br>(note 1)       | <u>880,433</u>     | <u>772,217</u>     |
| Total   | <u>589,437</u>     | <u>604,902</u>     |
| Recording Studio facilities                     | 531,896            | 531,896            |
| Less accumulated depreciation<br>(note 1)       | <u>309,610</u>     | <u>283,016</u>     |
| Total   | <u>222,286</u>     | <u>248,880</u>     |
| Tools and minor equipment                       | <u>750</u>         | <u>750</u>         |
| Total fixed assets                              | <u>812,473</u>     | <u>854,532</u>     |
| TOTAL ASSETS                                    | <u>\$1,513,061</u> | <u>\$1,471,698</u> |

L I A B I L I T I E S    A N DG O V E R N M E N T    E Q U I T Y

|   |                    |                    |
|---|--------------------|--------------------|
| CURRENT LIABILITIES:                              |                    |                    |
| Accounts payable                                  | \$ <u>11,702</u>   | \$ <u>19,781</u>   |
| GOVERNMENT EQUITY:                                |                    |                    |
| Contributed capital                               | 183,619            | 183,619            |
| Standby equipment donated<br>(note 3)             | <u>92</u>          | <u>166</u>         |
| Total   | <u>183,711</u>     | <u>183,785</u>     |
| Excess of revenue over costs:                     |                    |                    |
| Balance prior years                               | 1,268,132          | 1,297,096          |
| Fiscal year income (loss)                         | <u>49,516</u>      | <u>(28,964)</u>    |
| Total   | <u>1,317,648</u>   | <u>1,268,132</u>   |
| Total capital and excess of<br>revenue over costs | <u>1,501,359</u>   | <u>1,451,917</u>   |
| TOTAL LIABILITIES AND<br>GOVERNMENT EQUITY        | <u>\$1,513,061</u> | <u>\$1,471,698</u> |

The accompanying notes are an integral part of this statement.

SENATE RECORDING AND PHOTOGRAPHIC STUDIOSREVOLVING FUNDCOMPARATIVE STATEMENT OF OPERATIONS

FOR FISCAL YEARS ENDED MARCH 31, 1982 AND 1981

|   | <u>Total</u>   |                | <u>Recording Studio</u> |          |              |            | <u>Photographic Studio</u> |                         |
|---|----------------|----------------|-------------------------|----------|--------------|------------|----------------------------|-------------------------|
|   | <u>FY 1982</u> | <u>FY 1981</u> | <u>Radio</u>            |          | <u>Video</u> |            | <u>FY 1982</u>             | <u>FY 1981 (note 1)</u> |
| REVENUE:  |                |                |                         |          |              |            |                            |                         |
| Sales   | \$335,792      | \$195,079      | \$82,783                | \$63,495 | \$189,911    | \$105,359  | \$63,098                   | \$26,225                |
| COSTS:  |                |                |                         |          |              |            |                            |                         |
| Radio, video,<br>and photo-<br>graphic<br>materials   | 125,949        | 95,221         | 27,564                  | 21,623   | 32,443       | 21,369     | 65,942                     | 52,229                  |
| Maintenance<br>and repairs                            | 19,330         | 18,842         | 2,236                   | 204      | 12,447       | 18,142     | 4,647                      | 496                     |
| Maintenance<br>supplies                               | 414            | 412            | 207                     | 155      | 207          | 257        | -                          | -                       |
| Office sup-<br>plies and<br>miscellaneous<br>expenses | 2,713          | 2,922          | 451                     | 630      | 451          | 641        | 1,811                      | 1,651                   |
| Outside proc-<br>essing of film                       | 3,060          | 126            | -                       | -        | 143          | 126        | 2,917                      | -                       |
| Depreciation<br>of equipment                          | 108,544        | 79,925         | 6,062                   | 6,224    | 74,616       | 68,711     | 27,866                     | 4,990                   |
| Depreciation of<br>Recording<br>Studio<br>facilities  | 26,594         | 26,595         | 13,297                  | 13,297   | 13,297       | 13,298     | -                          | -                       |
| Total costs   | 286,604        | 224,043        | 49,817                  | 42,133   | 133,604      | 122,544    | 103,183                    | 59,366                  |
| Net profit or (loss)<br>from operations               | \$ 49,188      | \$(28,964)     | \$32,966                | \$21,362 | \$ 56,307    | \$(17,185) | \$(40,085)                 | \$(33,141)              |
| EQUIPMENT DISPOSALS:                                  |                |                |                         |          |              |            |                            |                         |
| Gain on dis-<br>posal of<br>equipment                 | 328            | -              | -                       | -        | -            | -          | 328                        | -                       |
| NET PROFIT OR<br>(LOSS)                               | \$ 49,516      | \$(28,964)     | \$32,966                | \$21,362 | \$ 56,307    | \$(17,185) | \$(39,757)                 | \$(33,141)              |

The accompanying notes are an integral part of this statement.

SENATE RECORDING AND PHOTOGRAPHIC STUDIOSREVOLVING FUNDCOMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE FISCAL YEARS ENDED MARCH 31, 1982 AND 1981

|  | <u>1982</u>      | <u>1981</u>      |
|--|------------------|------------------|
| FUNDS PROVIDED:  |                  |                  |
| Sales  | \$335,792        | \$195,079        |
| Gain on disposal of equipment  | 328              | -                |
| Decrease in working capital  | -                | <u>449,821</u>   |
| Total funds provided   | <u>\$336,120</u> | <u>\$644,900</u> |
| FUNDS APPLIED:   |                  |                  |
| Costs (excluding depreciation<br>and other items not requiring<br>outlay of funds) | \$151,466        | \$117,523        |
| Net equipment additions  | 93,153           | 527,377          |
| Increase in working capital  | <u>91,501</u>    | -                |
| Total funds applied  | <u>\$336,120</u> | <u>\$644,900</u> |

Analysis of changes in working capitalfor fiscal 1982 and 1981

|  | <u>Increase or (decrease)<br/>in working capital</u> |                    |
|--|--|--------------------|
|  | <u>1982</u>  | <u>1981</u>        |
| WORKING CAPITAL CHANGES:                     |  |                    |
| Cash   | \$68,237   | \$(455,485)        |
| Accounts receivable                          | 16,287   | 16,573             |
| Inventory of materials and<br>supplies       | (1,102)  | 4,919              |
| Accounts payable                             | <u>8,079</u>   | <u>(15,828)</u>    |
| INCREASE OR (DECREASE) IN WORKING<br>CAPITAL | <u>\$91,501</u>                                      | <u>\$(449,821)</u> |

The accompanying notes are an integral part of this statement.



SENATE RECORDING AND PHOTOGRAPHIC STUDIOSREVOLVING FUNDSIGNIFICANT ACCOUNTING POLICIESANDNOTES TO FINANCIAL STATEMENTSFISCAL YEARS ENDED MARCH 31, 1982 AND 1981

## 1. Significant Accounting Policies

The Senate Recording Studio was changed to the Senate Recording and Photographic Studios pursuant to section 108 of the Supplemental Appropriations and Rescission Act, 1980 (2 U.S.C. 123b-1). The newly created Photographic Studio began operations in October 1980, and fiscal 1981 revenues and costs for the Photographic Studio are for the 6 months from October 1, 1980 to March 31, 1981.

The Senate Recording and Photographic Studios are financed from a revolving fund and from funds appropriated to the Secretary of the Senate. All moneys received from operations are deposited in a revolving fund in the U.S. Treasury and are available for the operation of the Studios.

The Comparative Statement of Operations does not include employee salaries, which were \$550,487 for the Recording Studio (\$508,825 for the fiscal year ended March 31, 1981) and \$304,685 for the Photographic Studio (\$146,097 from October 1, 1980, to March 31, 1981); employee benefits; or certain other benefits or services, such as space, building repairs and maintenance, and utilities. All these expenses are paid from appropriated funds and are neither recorded in the Studios' accounting records nor charged to the revolving fund.

Inventories are stated at cost and are charged to operations using the first-in, first-out method of cost flow.

Equipment in the Recording Studio is depreciated over a 10-year life and equipment in the Photographic Studio is depreciated over a 5-year life. Both Studios use the straight-line method.

2. Accounts receivable from Senators, committees, and the Keeper of Stationery amounted to \$71,067 (Recording Studio, \$57,902; Photographic Studio, \$13,165) at March 31, 1982--an increase of \$16,287 from the amount receivable at March 31, 1981. An analysis of the ages of the accounts receivable at March 31, 1982 and 1981, follows.

Recording Studio

| <u>Days<br/>outstanding</u> | <u>March 31, 1982</u> |                | <u>March 31, 1981</u> |                |
|-----------------------------|-----------------------|----------------|-----------------------|----------------|
|                             | <u>Amount</u>         | <u>Percent</u> | <u>Amount</u>         | <u>Percent</u> |
| 1 through 59                | \$46,983              | 81.2           | \$32,479              | 80.3           |
| 60 through 89               | 1,693                 | 2.9            | 2,447                 | 6.1            |
| 90 through 119              | 3,155                 | 5.4            | 979                   | 2.4            |
| 120 or more                 | <u>6,071</u>          | <u>10.5</u>    | <u>4,545</u>          | <u>11.2</u>    |
| Total                       | <u>\$57,902</u>       | <u>100.0</u>   | <u>\$40,450</u>       | <u>100.0</u>   |

Photographic Studio

| <u>Days<br/>outstanding</u> | <u>March 31, 1982</u> |                | <u>March 31, 1981</u> |                |
|-----------------------------|-----------------------|----------------|-----------------------|----------------|
|                             | <u>Amount</u>         | <u>Percent</u> | <u>Amount</u>         | <u>Percent</u> |
| 1 through 59                | \$ 9,562              | 72.7           | \$12,653              | 88.3           |
| 60 through 89               | 783                   | 6.0            | 893                   | 6.2            |
| 90 through 119              | 553                   | 4.2            | 376                   | 2.6            |
| 120 or more                 | <u>2,267</u>          | <u>17.1</u>    | <u>408</u>            | <u>2.9</u>     |
| Total                       | <u>\$13,165</u>       | <u>100.0</u>   | <u>\$14,330</u>       | <u>100.0</u>   |

As of June 1, 1982, \$50,004, or 86 percent, of the Recording Studio's accounts receivable balance had been paid, and \$8,637, or 66 percent, of the Photographic Studio's accounts receivable balance had been paid.

The Recording Studio writes a monthly letter to the Senate Sergeant at Arms listing all Senators with outstanding accounts of \$1,000 or more. This is in accord with the policy established by the Senate Committee on Rules and Administration.

3. The estimated value of video equipment obtained from the General Services Administration at no cost is included at a value of \$92 and \$166 at March 31, 1982, and March 31, 1981, respectively.
4. A summary of the changes in the equipment account for the 12 months ended March 31, 1982, follows.

## ENCLOSURE VI

## ENCLOSURE VI

| <u>Equipment</u>        | <u>Balance<br/>March 31,<br/>1981</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>March 31,<br/>1982</u> |
|-------------------------|---------------------------------------|------------------|-------------------|---------------------------------------|
| Recording Studio:       |                                       |                  |                   |                                       |
| Radio                   | \$ 70,461                             | \$ -             | \$ -              | \$ 70,461                             |
| Video                   | <u>1,199,841</u>                      | <u>32,018</u>    | <u>74</u>         | <u>1,231,785</u>                      |
| Total                   | \$1,270,302                           | \$32,018         | \$ 74             | \$1,302,246                           |
| Photographic<br>Studio: | <u>106,817</u>                        | <u>61,135</u>    | <u>328</u>        | <u>167,624</u>                        |
| TOTAL                   | <u>\$1,377,119</u>                    | <u>\$93,153</u>  | <u>\$402</u>      | <u>\$1,469,870</u>                    |